Department of Veterans Affairs **VHA DIRECTIVE 98-025**
Veterans Health Administration
Washington, DC 20420 **May 5, 1998**

RECORDING OBSERVATION AND/OR SHORT-STAY PATIENTS

1. PURPOSE: This Veterans Health Administration (VHA) Directive provides VHA policy for the definition and recording of observation and/or short-stay patients.

2. BACKGROUND: As outlined in the "Vision for Change," VHA will place patients in the most appropriate setting. In many instances, this involves "observing" a patient for an extended period of time without admitting them as an inpatient. While observation units are considered to be outpatient or ambulatory services, current software supporting Nutrition and Food and Pharmacy Services only work for inpatient beds. Properly recording the level of services while maintaining automated support for functional activities will require a creative approach to classifying services to these patients. This policy also complies with current Health Care Financing Association (HCFA) guidelines used in the administration of the Medicare program.

3. DEFINITION

a. **Observation Patient.** An observation patient is one who presents with a medical condition with a significant degree of instability or disability, and who needs to be monitored, evaluated and assessed for either admission to inpatient status or assignment to care in another setting. An observation patient can occupy a special bed set aside for this purpose or may occupy a bed in any unit of a hospital, i.e., urgent care, medical unit. These types of patients should be evaluated against standard inpatient criteria. These beds are not designed to be a holding area for Emergency Rooms. The length-of-stay in observation beds will **not** exceed 23 hours.

b. **Lodger.** A lodger is not an observation patient. By definition a lodger does not receive healthcare services.

NOTE: *Routine post-procedure recovery from ambulatory surgery is* ***not*** *observation. Examples: Recovery from a cardiac catheterization and release from the facility within 6 hours of the completion of the catheterization would not constitute post-surgical observation since the normal recovery time is 4 to 6 hours. A patient may report to the medical center for laser removal of cataracts. During the laser procedure, the patient may have a reaction to some of the medication and would be admitted to the appropriate bed section for evaluation of the reaction.*

4. POLICY: To accomplish this policy within the context of VHA's supporting software, patients will be assigned to a treating specialty code of Observation. All services and costs associated with Observation treating specialties will be captured and assigned to inpatient services.

THIS VHA DIRECTIVE EXPIRES MAY 5, 2003

5. ACTION

a. The following Patient Treatment File (PTF) Treating Specialties and Cost Distribution Report (CDR) account numbers are to be utilized for recording Observation patient activity.

Treating Specialty	PTF #	CDR #
Medical Observation	24	1110.00
Surgical Observation	65	1210.00
Psychiatric Observation	94	1310.00
Neurology Observation	18	1111.00
Blind Rehabilitation Observation	36	1115.00
Spinal Cord Injury Observation	23	1116.00
Rehabilitation Medicine Observation	41	1113.00

b. These Treating Specialties should be utilized when setting up Observation Units. The following guidelines and menu options will assist you. Using the Ward Definition menu option create Observation Unit wards. The Treating Specialty should be one of the above Observation Treating Specialties appropriate for the ward location. The service for the Observation Unit ward should be NON-COUNT. Remember to include the Gain and Losses Sheet (G&L) location. Using the Treating Specialty Set-up option, set up the new Treating Specialties.

c. Patients placed on Observation status will be admitted to one of the treating specialties listed above. This will enable the facility to track the patients on the G & L, and use the required Pharmacy and Nutrition and Food Services software to deliver services. An observation patient requiring subsequent admission would be released from Observation status by discharging them from the facility and then admitting them to an acute care-treating specialty.

d. Patients already designated as inpatient status must be discharged and re-admitted to an Observation Treating Specialty for no more than the time limits previously indicated (especially normal ambulatory surgery which are not related to the reason for hospitalization). Following the Observation period, the patient must be re-admitted to inpatient status, if further hospitalization is required. Nursing Home care Unit (NHCU) and Domiciliary (DOM) patients requiring Observation services would be transferred Absent Sick in Hospital (ASIH) from the NHCU or DOM and admitted to an Observation Treating Specialty.

e. Insurance carriers of patients on Observation status will be billed at the appropriate inpatient rate for the medical, surgical or psychiatric bed section using revenue code 760, until such time as an observation unit rate can be established. This is a facility charge and should be billed on an Uniform Billing Form (UB)-92. For billing professional fees only, Current procedural Terminology (CPT) codes should be used. A principal diagnosis should be available for these patients at the time the patient is either discharged and re-admitted to another treating specialty for inpatient care or to an appropriate ambulatory care setting.

f. First party patient charges for Category C observation patients will be billed at the published Category C outpatient visit copayment rate.

g. Utilizing this data report methodology will enable data users to separate the activity of these patients for their purposes. For performance measurement purposes, these patients would NOT be included as acute care inpatients. Procedures performed while a patient is assigned to Observation status will be considered ambulatory for performance measure purposes.

h. Facilities will complete and transmit PTF records for reporting Observation patients when discharged from Observation status. If a patient were admitted following observation, the acute care PTF record would be transmitted after discharge from inpatient care. Attachment A outlines the minimal requirements for patient record documentation of Observation patients.

i. Facilities will complete and transmit PTF records for reporting Observation patients when discharged from Observation status. If a patient were admitted following observation, the acute care PTF record would be transmitted after discharge from inpatient care. Attachment A outlines the minimal requirements for patient record documentation of Observation patients.

j. Patch DG*5.3*176 is being released to implement this directive. Appropriate IB patches will be released in the future.

6. REFERENCES: Glossary of Healthcare Terms, American Health Information Management Association, 1994, page 14.

7. FOLLOW-UP RESPONSIBILITY

a. For issues affecting classification of patients, Health Administration Service (10C3). Questions concerning classification may be addressed to Kay Evans at (202) 273-8306.

b. For issues concerning billing, Medical Care Cost Recovery (174), Questions concerning billing may be addressed to Nancy Howard at (202) 273-8198.

8. RESCISIONS: This VHA Directive will expire May 5, 2003.

S/ Thomas Garthwite, M.D.for
Kenneth W. Kizer, M.D., M.P.H.
Under Secretary for Health

Attachment

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ATTACHMENT A

OBSERVATION PATIENT RECORD DOCUMENTATION REQUIREMENTS

DOCUMENT/ ITEM	COMPLETION TIME	COMPONENTS OF DOCUMENT REQUIRED
Admission Order	On Admission	Timed and dated order for admission of the patient to an Observation Bed
Initial Assessment and History and Physical (H&P)	Immediately	Initial Assessment and screening of physical, psychological (mental) and social status to determine the reason why the patient is being admitted to an Observation Bed, the type of care or treatment to be provided, and the need for further assessment. An extensive Emergency Room (ER) note or Progress Note, documented by the admitting physician, which encompasses the normal criteria for an H&P will suffice as an initial assessment and H&P for the Observation patient.
Progress Notes	Within 8 hours - with subsequent notes documented as the patient's condition warrants. 24 hour re-assessments should be documented	Progress Notes should reflect the status of the patient's condition, the course of treatment, the patient's response to treatment and any other significant findings apparent at the time the progress note is documented. Reassessments should include a plan for (1) discharge or transfer; (2) readmission to inpatient status; or (3) continued observation with evaluation and rationale.
Discharge Order	On Discharge	Timed and dated order for discharge from the Observation status.
Discharge Diagnoses	On Discharge	Complete listing of all final diagnoses including complications and comorbidities.
Discharge Note	On Discharge	Summarization of the reason for the Observation admission, the outcome, follow-up plans and patient disposition, and discharge instructions (diet, activity, medications, special instructions). ***NOTE:*** *This document may be written in the Progress Notes or dictated, according to local policy.*